

IN THE UNITED STATES COURT OF APPEALS  
FOR THE EIGHTH CIRCUIT

GTE Service Corporation, GTE Alaska  
Incorporated, GTE Arkansas Incorporated,  
GTE California Incorporated, GTE Florida  
Incorporated, GTE Midwest Incorporated,  
GTE South Incorporated, GTE Southwest  
Incorporated, GTE North Incorporated,  
GTE Northwest Incorporated, GTE Hawaiian  
Telephone Company Incorporated, GTE West  
Coast Incorporated, Contel of California, Inc.,  
Contel of Minnesota, Inc. and Contel of the  
South, Inc.,

Petitioners,

v.

Federal Communications Commission and  
United States of America,

Respondents.

Case No. \_\_\_\_\_

(DC Circuit Case No. 96-1319)

(Consolidated with Case  
No. 96-3321)

AFFIDAVIT OF DONALD M. PERRY

STATE OF WASHINGTON     §  
COUNTY OF SNOHOMISH   §

Donald M. Perry, being duly sworn according to law, states as follows:

1. My name is Donald M. Perry and I am the Manager of Forecast Methods for GTE Telephone Operations("GTE" or "the Company"). In that capacity I am responsible for the development of new methods for forecasting the demand for GTE's three major service categories: customer lines, usage, and new products; conducting demand studies; developing and

analyzing market research studies for local exchange services and new products; and providing analyses for rate filings.

2. I have over 15 years experience in demand forecasting and analysis, survey design and sampling, and market research analysis. I have over 8 years experience with GTE. During this time I have held various positions, all related to demand analysis, forecasting, survey design and analysis. I received a B.S. in Oceanography and Chemistry from the University of Washington in 1972. In 1980 I received a B.A. in Economics, and in 1982 an M.A. in Economics from the University of Washington. I have successfully completed field exams in micro economics, econometrics, and natural resource economics and completed my general examination for the Ph.D.

3. The purpose of this affidavit is to discuss the factors affecting consumer choice of a service supplier, and the costs and difficulty involved in winning customers back from a competitor.

4. The Trimble Affidavit establishes that the methodology used by the FCC for establishing the proxy price ceilings for unbundled loops and local switching results in prices that are significantly lower than the Company's true costs of providing service.

5. The Fulp Affidavit finds that: (1) the competing local exchange service providers ("CLECs") will have artificially low cost structures because of the FCC's mandatory proxy prices, (2) as a result, this will allow the CLECs to price their services below GTE's cost-based prices, and (3) that the CLECs have substantial existing plant capability to ensure that they can

attract customers rapidly.

6. A nation-wide survey of over 25,000 residential customers conducted for PNR Associates demonstrates that one of most important factors affecting consumer demand for local exchange service is the relative price for the service, *e.g.*, incumbent Local Exchange Carriers (ILECs) relative to the CLECs. The survey also shows that the ILECs have little incumbency advantage and that the market for local exchange service will be highly competitive. This survey, and other published surveys, such as Morgan Stanley and Yankee Group, indicate market share loss could range over time from twenty to forty percent for ILECs in their own franchised territory exclusive of ILEC opportunities to compete with each other.

7. This study also shows that consumer demand is highly sensitive to price and that the ILECs may lose at least an additional 15 percentage points of customer market share if one or more competitors undercut GTE's price by 10%. This is a conservative estimate of the revenue impact because the FCC's proxy price ceilings would provide all of the CLECs with this capability and because a small percentage of customers account for a large proportion of the revenues, revenue share losses are likely to be greater.

8. Once lost, market share can only partially be recovered and only at great cost. In the MCI Friends & Family/AT&T True Value battle, AT&T spent \$870 million dollars for cash incentives (Advertising Age Jan 30, 1995, pp. 3-4) to regain just 1% of market share, at the rate of \$51.18 per customer. Given that AT&T and MCI were fighting only for the long distance portion of the customer's bill, then GTE would need to spend at least that amount per customer to regain a portion of the local market share lost to artificially low prices.

9. Based on the market research that I have reviewed, there will be an amount of lost revenue and goodwill that will result from competition which will be immediate, certain and permanent. However, the total amount of the revenue loss and damage to GTE's goodwill caused by rivals offering unfairly discounted rates, or by procuring and combining unbundled network elements in order to provide discounted local exchange service is not susceptible of precise quantification.

The affiant says nothing further.

Donald M. Perry  
Donald M. Perry

Subscribed and sworn to  
before me this 10th day of  
September, 1996.

Jean M. Peterson  
Notary Public



**TAB E**

**Not Provided**

Joint Motion of GTE Corporation  
and the Southern New England Telephone Company  
For Stay Pending Judicial Review

Before the  
Federal Communications Commission  
Washington, D.C. 20554

In the Matter of )

Implementation of the Local Competition )  
Provisions in the Telecommunications Act )  
of 1996 )

CC Docket No. 96-98

**JOINT MOTION OF GTE CORPORATION  
AND THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY  
FOR STAY PENDING JUDICIAL REVIEW**

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Dated: August 28, 1996